

# **CAPITAL POWER**

**Q1/14 Analyst Conference Call  
April 28, 2014**

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# Forward-looking information

## Cautionary statement

Certain information in this presentation and in responses to questions contains forward-looking information. Actual results could differ materially from conclusions, forecasts or projections in the forward-looking information, and certain material factors or assumptions were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information.

Additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information are disclosed on page 13 of this presentation and in the Company's first quarter 2014 Management's Discussion and Analysis (MD&A) dated April 24, 2014 which has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

# Non-GAAP financial measures

The Company uses (i) earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, and gains on disposals (adjusted EBITDA), (ii) funds from operations (FFO), (iii) normalized earnings attributable to common shareholders, and (iv) normalized earnings per share as financial performance measures.

These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP and are, therefore, unlikely to be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to net income, net income attributable to shareholders of the Company, net cash flows from operating activities or other measures of financial performance calculated in accordance with GAAP. Rather, these measures are provided to complement GAAP measures in the analysis of the Company's results of operations from management's perspective.

Reconciliations of these Non-GAAP financial measures are contained in the Company's Management's Discussion and Analysis dated April 24, 2014 for the quarter ended March 31, 2014 which is available under the Company's profile on SEDAR at [www.SEDAR.com](http://www.SEDAR.com) and on the Company's website at [www.capitalpower.com](http://www.capitalpower.com).

# Corporate updates

## *Partnering with ENMAX on Genesee 4 & 5 facilities*

- In Dec/13, announced letter of intent with ENMAX to pursue joint arrangement agreements to develop, construct, own and operate the Genesee 4 & 5 facilities
- Project ownership agreements have been executed; balance of agreements substantially negotiated
- Agreement provides provisions for an 8-year tolling arrangement under which ENMAX would purchase approximately 225 MW

## *K2 Wind project*

- Construction has commenced following the successful completion of the \$850M project financing in Mar/14
- Commercial operations targeted for 2015

# Corporate updates

## *Genesee coal mine joint venture*

- Sherritt International's pending sale of its joint venture mine interest to Westmoreland Coal Company
- In connection with the acquisition by Westmoreland, certain related agreements will be amended and Capital Power will receive a payment of \$20 million upon completion of the acquisitions
- Westmoreland is the oldest independent coal mining company in North America and a leading mine-mouth coal operator in North America



# Q1/14 Operating performance

## Plant availability

Q1/14 Q1/13

		Q1/14	Q1/13
Alberta commercial plants	Genesee 3	96%	98%
	Keephills 3	100%	98%
	Clover Bar	97%	99%
	Joffre	100%	92%
	Halkirk	96%	98%
Alberta contracted plants	Genesee 1	83%	96%
	Genesee 2	93%	94%
Ontario and BC contracted plants	Island Generation	100%	100%
	Kingsbridge 1	95%	99%
	Port Dover & Nanticoke	98%	N/A
	Quality Wind	95%	99%
North East US commercial plants	Bridgeport	N/A	97%
	Rumford	N/A	97%
	Tiverton	N/A	51%
North Carolina US contracted plants	Roxboro	90%	94%
	Southport	99%	96%
<b>Average</b>		<b>94%</b>	<b>94%</b>

- Strong fleet availability of 94% in Q1/14 comparable to Q1/13
- AB commercial plants had 98% average availability
- Genesee 1
  - Lower availability due to 10-day unplanned maintenance outage to perform valve repairs

# Financial review

## Portfolio optimization

	Q1/14	Q1/13	Change
Hedged position <sup>(1)</sup> (% sold fwd at beginning)	<b>92%</b>	49%	-
Spot power price average (MW/h)	<b>\$61</b>	\$65	(6.2%)
Realized power price <sup>(2)</sup> (MW/h)	<b>\$58</b>	\$69	(15.9%)

***Q1/14 results impacted by a high hedge position of 92% on the AB power portfolio resulting in a captured price of \$58/MWh, compared to a 49% hedge position and \$69/MWh captured price a year ago***

(1) Hedged position is for the Alberta baseload plants and acquired Sundance PPA.

(2) Realized power price is the average price realized on the Company's commercial contracted sales and portfolio optimization activities.

# Financial performance – Q1/14

\$M, except per share amounts	Q1/14	Q1/13	Change
Revenues	<b>\$308</b>	\$365	(16%)
Adjusted EBITDA (before mark-to-market) <sup>(1)</sup>	<b>\$106</b>	\$122	(13%)
Basic earnings per share	<b>\$0.33</b>	\$0.44	(25%)
Normalized earnings per share	<b>\$0.31</b>	\$0.36	(14%)
Funds from operations	<b>\$90</b>	\$103	(13%)

***Q1/14 results reflected lower availability at Genesee 1, divestiture of New England assets in Nov/13, and addition of Port Dover & Nanticoke in Nov/13***

(1) Before unrealized changes in fair value of commodity derivatives for Q1/14 and Q1/13 of \$7M and \$13M, respectively.





# 2014 Financial outlook

## *No change to 2014 annual guidance*

- Expect lower realized prices on unhedged position and profitability from Clover Bar peaking facility
- Partially offset by a full year of earnings from Port Dover & Nanticoke and higher plant availability target of 95%
- Alberta portfolio hedged positions (% sold forward)

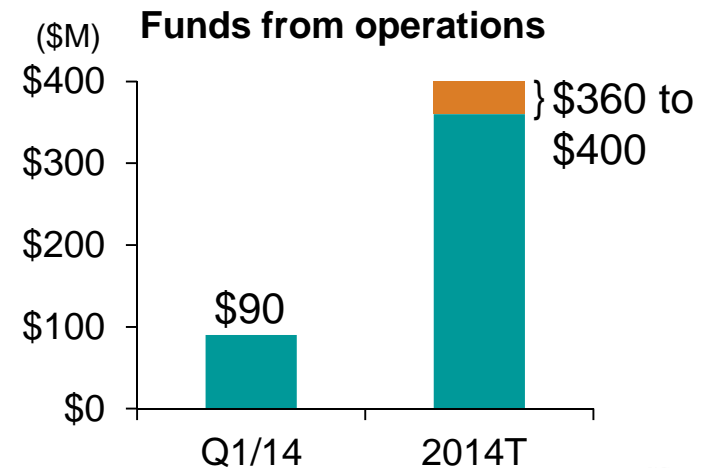
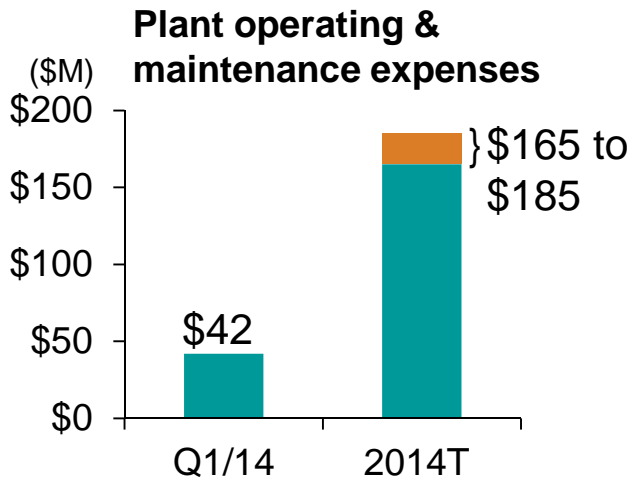
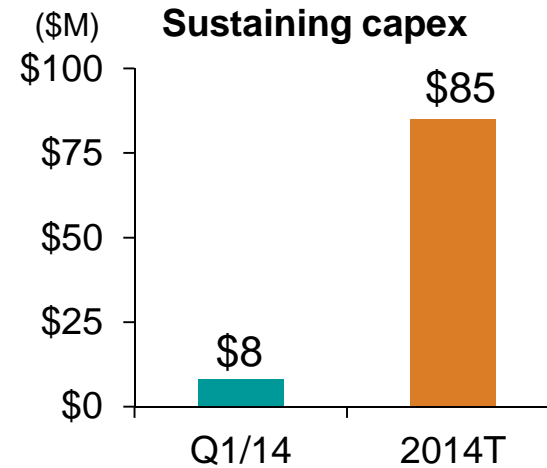
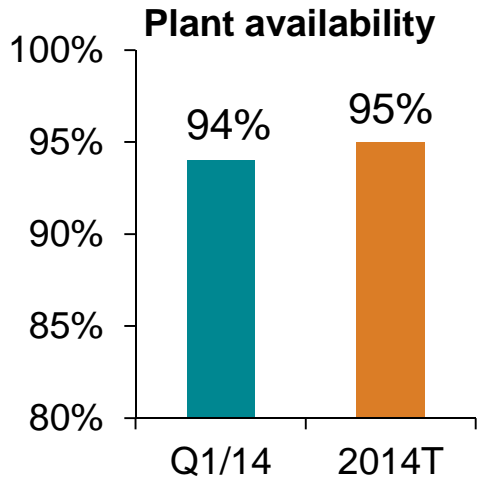
	Apr-Dec, 2014	2015	2016
Percentage sold forward <sup>(1)</sup>	92%	71%	23%
Average contracted prices <sup>(2)</sup> (\$/MWh)	Mid-\$50	Low-\$50	Mid-\$50
Forward prices (\$/MWh) (as of Mar 31/14)	\$53	\$50	\$51

(1) Based on baseload plants and the acquired Sundance PPA plus a portion of Joffre and the uncontracted portion of Shepard.

(2) The forecast average contracted prices may differ significantly from the future average realized prices as the hedged and unhedged positions have a varying mix of differently priced blocks of power. This impact is accentuated in 2014 which includes one contract-for-differences for 300 MW for the full year that is sold forward for peak periods only.

# 2014 Corporate priorities

## Operational and financial targets



# 2014 Corporate priorities

## Development and construction targets

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	2014 Targets	Q1/14 Results
K2 Wind	Commence construction & complete project financing	Construction commenced following completion of the \$850M project financing in Q1/14
Shepard Energy Centre	Complete construction with COD in early 2015	On track with target
Genesee 4 & 5	Continue on track for Q1/15 permitting approval	On track with target

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***Continue building on strong track record for successful development projects***

{ QUESTIONS?

# Forward-looking information

Forward-looking information or statements included in this presentation are provided to inform the Company's shareholders and potential investors about management's assessment of Capital Power's future plans and operations. This information may not be appropriate for other purposes. The forward-looking information in this presentation is generally identified by words such as "will", "anticipate", "believe", "plan", "intend", "target", and "expect" or similar words that suggest future outcomes.

Material forward-looking information in this presentation includes information with respect to: (i) expectations related to future revenues, expenses, earnings and funds from operations, (ii) expectations regarding the future pricing of electricity and market fundamentals in existing and target markets, (iii) expectations related to the Company's future cash requirements including interest and principal repayments, capital expenditures, dividends and distributions, (iv) expectations regarding the Company's sources of funding, adequacy and availability of committed bank credit facilities and future borrowings, (v) expectations regarding future growth and emerging opportunities in the Company's target markets including the focus on certain technologies, (vi) expectations regarding the timing of, funding of, and costs for existing, planned and potential development projects and acquisitions, (vii) expectations regarding plant availability, and (viii) expectations regarding capital expenditures for plant maintenance and other.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements relate to: (i) electricity and other energy prices, (ii) performance, (iii) business prospects and opportunities including expected growth and capital projects, (iv) status of and impact of policy, legislation and regulations, (v) effective tax rates, and (vi) other matters discussed under the Performance Overview and Outlook sections in the Company's MD&A dated April 24, 2014 for the three months ended March 31, 2014.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Company's expectations. Such material risks and uncertainties are: (i) changes in electricity prices in markets in which the Company operates, (ii) changes in energy commodity market prices and use of derivatives, (iii) regulatory and political environments including changes to environmental, financial reporting and tax legislation, (iv) power plant availability and performance including maintenance expenditures, (v) ability to fund current and future capital and working capital needs, (vi) acquisitions and developments including timing and costs of regulatory approvals and construction, (vii) changes in market prices and availability of fuel, and (viii) changes in general economic and competitive conditions. See Risks and Risk Management in the Company's December 31, 2013 annual MD&A for further discussion of these and other risks.

Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

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